



State of Utah

DEPARTMENT OF COMMERCE
Committee of Consumer Services

Press Release

Friday, 20 September 2002

COMMITTEE OPPOSES ISSUES IN THE GENEVA INFRASTRUCTURE AGREEMENT

On 16 September 2002, Geneva Steel and PacifiCorp appeared before the Public Service Commission of Utah to explain why their Electric Service and Infrastructure Agreements should be approved by the Commission.

The ways in which the two companies and the Division of Public Utilities interpreted the Industrial Electric Infrastructure Act, passed by the State Legislature in its 4th Special Session on 22 May 2002, are so different from the Committee's understanding that it has today filed a post-hearing response with the Commission regarding the Infrastructure Agreement.

The Infrastructure Agreement requires PacifiCorp to spend \$21M on new equipment at the Tri-City substation - \$8M to meet just Geneva's needs, and \$13M for general growth in that locality. By custom and practice, Geneva is responsible for the \$8M cost of plant installed for its exclusive benefit. The Infrastructure Agreement says that Geneva will pay PacifiCorp those costs over seven years. But PacifiCorp is wary of a business that has filed for bankruptcy twice in recent years. The Committee believes the Infrastructure Act makes Utah customers responsible for reimbursing PacifiCorp if Geneva defaults again. But PacifiCorp doesn't want to wait to see whether Geneva will default again. It wants its Utah customers to start paying the \$8M when construction is complete, and only offset those increased rates later, when (and perhaps if) Geneva pays.

Under well-established Commission policy, the remaining \$13M would be shared by all PacifiCorp's customers across its six-state service area. In that case, Utah customers' share would be \$5.2M. But PacifiCorp has recommended that Utah customers should pay the whole \$13M – \$7.8M more.

The interest accrued during construction is traditionally added to the cost of new plant to determine how much customers should pay utilities. Geneva doesn't think it should pay for the interest on its \$8M share of the new equipment. It thinks other Utah customers should pay that, as well as the interest on the other \$13M share. The Committee believes that Geneva's request is neither just nor reasonable.

To meet Geneva's need for the \$8M part of the project to be completed by mid-January 2003, PacifiCorp is advancing the construction of the other \$13M part. Geneva told the Commission in July 2002 that this other work would need to be advanced by "many years". The cost – which its approach in this case suggests PacifiCorp would expect its Utah customers other than

Geneva to bear – of advancing construction of a \$13M project, would be in excess of \$1.5M annually. On Monday, PacifiCorp told the Commission it would be advancing the expenditure by just 4½ months, at a cost of \$580,000, but the Committee points out that the Company has provided no substantial proof for its claim of this much reduced period and cost. And since the acceleration is solely to meet Geneva's needs, the Committee believes it is Geneva, and not other Utah customers, who should pay the related costs.

In its Post-hearing response, the Committee respectfully urges the Commission to make findings that are consistent with the position of the Committee explained and justified in its Response.

For more information contact:

Dee Jay Hammon, Chair, at (435) 723-6314 regarding the Committee's policy positions; or

Dan Gimble, Energy Group Manager, at 160 East 300 South/P.O. Box 146782, Salt Lake City, UT 84114-6782, telephone 530-6798, regarding the financial and economic details of the case.

The Utah Committee of Consumer Services is a consumer watchdog organization that advocates on behalf of residential and small commercial (including agricultural) customers of the large utility companies providing service in Utah. It is a State agency, established by Statute twenty-five years ago (UCA 54-10, 1977) within the Utah Department of Commerce. The six members of the Committee are appointed by the Governor with the consent of the Senate. The Committee has a small professional staff.